

Message Text

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ACTION H-03

INFO OCT-01 EUR-08 IO-03 AID-01 SS-07 NSC-06 RSC-01 ISO-00

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FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC PRIORITY 2534

INFO USMISSION GENEVA

AMCONSUL MUNICH

USDEL MBFR VIENNA

C O N F I D E N T I A L SECTION 01 OF 02 BUDAPEST 0135

E.O. 11652: GDS

TAGS: OVIP

SUBJECT: CODEL WILSON VISIT TO BUDAPEST

REFS: A) STATE 280610; B) STATE 284301

GENEVA FOR CSCE DELEGATION.

1. BEGIN SUMMARY. CODEL WILSON VISIT TURNED OUT TO BE VERY USEFUL FROM EMBASSY POINT OF VIEW AND WE BELIEVE FROM CODEL'S AS WELL. GOH MADE DETERMINED EFFORT TO GIVE THEM HIGH CALIBER TREATMENT, INCLUDING APPOINTMENTS WITH DEPUTY PM HUSZAR, FONMIN PUJA, DEPUTY FONMIN NAGY, DEPUTY DEFENSE MIN GEN CSEMI, PARLIAMENT'S FOREIGN AFFAIRS COMMITTEE AND CENTRAL COMMITTEE MEMBER SARLOS, AND CHAIRMAN OF PARLIAMENT'S BUDGET COMMITTEE BOGNAR. HUNGARIAN ATTENDANCE AT AMB'S RECEPTION WAS EXTENSIVE AND AT HIGH LEVEL, AND NAGY GAVE EXCELLENT, CORDIAL DINNER AT END OF VISIT. CALL ON GEN. CSEMI WAS ONLY VISIT TO DEFENSE MINISTRY BY OFFICIAL AMERICAN THAT ANYONE IN EMB CAN EVER REMEMBER. HUNGARIANS WERE WELL PREPARED AND BRIEFED FOR THE VARIOUS SESSIONS AND MADE NUMBER OF INTERESTING POLICY POINTS WHICH ARE SET OUT BELOW. AMONG THESE OF MOST IMPORTANCE WERE A) UNUSUALLY CONSTRUCTIVE ATTITUDE OF FONMIN; B) DEPUTY PM'S NEGATIVE COMMENT ON RESULT FONTRADE MIN BIRO'S U.S.

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VISIT; AND C) DESIRE TO SEE U.S. "PROPOSALS" UNDER TRADE

ACT. (LATTER PROBABLY SUPERSEDED BY FINAL SOV POSITION
THOUGH WE DO NOT KNOW.) FULL MEMCONS WILL FOLLOW BY
AIRGRAM. END SUMMARY.

2. FAVORABLE MOOD TOWARD U.S. RELATIONS.

MEETING WITH FONMIN PUJA WAS ESPECIALLY INTERESTING IN
THAT HE PROJECTED NONCOMBATIVE MOOD, LAYING MAJOR STRESS
UPON HUNGARY'S SPECIFIC NATIONAL INTEREST IN DETENTE
BECAUSE OF NEED FOR PEACEFUL SITUATION TO DEVELOP THEIR
ECONOMIC RESOURCES AND STANDARD OF LIVING. HE SPOKE
FAVORABLY OF U.S. ROLE IN CSCE TALKS IN GENEVA (AND
UNFAVORABLY ABOUT WE ROLE), SAYING HE THOUGHT U.S. UNDERSTOOD
DEVELOPMENTS THERE IN LARGER WORLD FRAMEWORK THAN EUROPEANS.
HE ALSO EMPHASIZED THAT HUNGARY WAS NOT HAPPY ABOUT ECONOMIC
DIFFICULTIES OF WEST, NOTING THEY CAUSED REPERCUSSIONS
IN SOCIALIST WORLD AND CREATED COMPLICATIONS IN ECONOMIC
COOPERATION, AND EXPRESSING CONCERN THAT THEY COULD HAVE
A NEGATIVE INFLUENCE ON DETENTE. IN ANSWER TO QUESTION
HE ALSO SAID THAT CURRENT EMPHASIS UPON IDEOLOGICAL
VIGILANCE BY PARTY WAS NOT INTENDED TO BRAKE EXPANSION
OF CULTURAL RELATIONS. SAID COMMUNIST IDEOLOGY, IN
CONTRAST TO OUR IDEOLOGICAL ROOTS, WAS ONLY 60 YEARS OLD.
IT WAS STILL FRAGILE AND NEEDED TO BE DEFENDED. TOGETHER
WITH EXPANSION OF CONTACTS THERE THEREFORE HAD TO BE
INCREASED ATTENTION TO THEIR OWN IDEOLOGICAL POSITION.
LAST POINT MADE BY PUJA WAS BOTH A SCARCELY DISGUISED
CRITICISM OF ROMANIA AND AN APPEAL FOR GREATER U.S.
RECOGNITION OF HUNGARY'S INTERNAL PROGRESS. PUJA COMMENTED
THAT HE THOUGHT WE MADE A GREAT MISTAKE IN TREATING ALL
SOCIALIST COUNTRIES IN MUCH SAME WAY IN SPITE OF THEIR
"OBVIOUS INTERNAL DIFFERENCES." NOTED WE GAVE ATTENTION
TO SOME COUNTRIES BECAUSE OF THEIR FOREIGN POLICY ATTITUDES
BUT SAID HE FELT WE DID NOT GIVE SUFFICIENT ATTENTION TO
FACT THERE WERE "SOME FUNDAMENTAL DIFFERENCES" OF
"DOMESTIC NATURE" EVEN AMONG SOCIALIST COUNTRIES.

3. TRADE PROSPECTS. PRIMARY SUBJECT OF INTEREST IN
MEETING WITH DEPUTY PM HUSZAR WAS HIS DISCUSSION OF MFN
AND PROSPECTS FOR BILATERAL TRADE. DEPUTY PM REVEALED
DISSATISFACTION WITH RESULTS OF TRADE MIN BIRO'S VISIT TO
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U.S. (REFLECTING SIMILAR INTIMATIONS WE HAVE HAD FROM
FONTRADE MINISTRY OFFICIALS) BY SAYING BIRO HAD GONE TO
U.S. WITH WHOLE BRIEFCASE FULL OF IDEAS AND HAD COME BACK
WITH ALL OF THEM. HUSZAR SAID HUNGARY FAVORED CONSIDERABLE
BROADENING OF U.S. TRADE AND THOUGHT IT COULD EXPAND
"SEVERAL TIMES" OVER CURRENT \$100 MILLION IMPORT LEVEL
(GOH FIGURES) UNDER MFN, PARTICULARLY IF WE WERE ABLE TO
DEVELOP SIGNIFICANT COOPERATIVE VENTURES. AT SAME TIME

HE EXPRESSED CONSIDERABLE CONCERN ABOUT CONDITIONS ATTACHED TO TRADE BILL, SAYING THEY CREATED UNCERTAINTIES AND IN SOME RESPECTS WERE OFFENSIVE TO NATIONAL SENSIBILITIES. BUT BEFORE THEY COULD MAKE FIRM JUDGMENTS HUSZAR SAID HUNGARIANS NEEDED TO SEE FULL TEXT OF THE BILL AND TO RECEIVE OUR NEGOTIATING PROPOSALS. WITH RESPECT TO NEGOTIATIONS HE REITERATED HUNGARY'S BASIC POSITION THAT THEY CANNOT ACCEPT ANY DIMINUTION OF THEIR RIGHTS UNDER GATT. (DEPUTY FONMIN NAGY MADE SIMILAR COMMENTS ON MFN, EMPHASIZING THAT MOST DIFFICULT PROBLEM MIGHT BE POLITICAL CONNOTATION OF CONGRESSIONAL RESTRICTIONS RATHER THAN THE SPECIFICS, AT LEAST INsofar AS HUNGARY WAS CONCERNED.) CONGRESSMAN ESCH AND OTHERS MADE POINT TO BOTH OFFICIALS THAT NONE OF RESTRICTIONS WERE PUT INTO BILL BECAUSE OF CONCERNS ABOUT HUNGARY, AND THAT BASIC INTENTION OF BILL WAS TO MOVE TRADE RELATIONS WITH EASTERN EUROPE FORWARD.

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P R 151523Z JAN 75

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC PRIORITY 2535

INFO USMISSION GENEVA

AMCONSUL MUNICH

USDEL MBFR VIENNA

C O N F I D E N T I A L SECTION 02 OF 02 BUDAPEST 0135

4. SECURITY ISSUES. MEETING WITH LT. GEN. CSEMI (DEPUTY DEFMIN) WAS OF SIGNIFICANCE FOR FACT IT EVEN TOOK PLACE, ESPECIALLY WITH THREE MILITARY OFFICERS, DOD CIVILIAN, AND ASST SECY OF DEFENSE ON OUR SIDE OF TABLE. HUNGARY'S CURRENT FINANCIAL AND BUDGETARY PROBLEMS WERE OBVIOUSLY ON CSEMI'S MIND, FOR HE ON SEVERAL OCCASIONS COMMENTED ON POLICY OBJECTIVE OF HUNGARIAN MILITARY TO KEEP THEIR EXPENDITURES TO MINIMUM LEVEL AND

TO AVOID PUTTING TOO GREAT A STRAIN ON MANPOWER RESOURCES OF COUNTRY. CSEMI SAID HUNGARIAN DEFENSE BUDGET WAS ABOUT 4 PERCENT OF TOTAL BUDGET AND WOULD PROBABLY HAVE TO INCREASE BY 3 OR 4 PERCENT IF SOVIET TROOPS WERE NOT IN COUNTRY. HE MAINTAINED, AS DID NAGY, THAT SOVIET TROOPS HAD NO INTERNAL ROLE IN HUNGARY. ON SECURITY NEGOTIATIONS HE SAID SALT WAS THE MOST IMPORTANT FOR WITHOUT IT NO PROGRESS COULD BE MADE ELSEWHERE; FOLLOWING A SALT AGREEMENT AND A CSCE AGREEMENT THERE COULD BE AGREEMENT IN MBFR, BUT MILITARY DISPOSITIONS OF TWO SIDES WERE SO DIVERSE THAT REDUCTIONS WOULD HAVE TO INCLUDE ALL ASPECTS OF SERVICES AND ARMS, NOT JUST GROUND FORCES. IN REPETITION OF WELL-KNOWN POSITION HE SAID THAT WHILE HUNGARY WAS VERY MUCH INTERESTED IN MBFR TALKS FOR ITS OWN ECONOMIC REASONS AND BECAUSE OF ITS DESIRE TO CONTRIBUTE TO A PEACEFUL WORLD, HUNGARY WOULD BECOME PARTICIPANT ONLY IF ITALY WERE ONE. WHILE HUNGARY WAS GEOGRAPHICALLY PART OF CENTRAL EUROPE, CONFIDENTIAL

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STRATEGICALLY WARSAW PACT FORCES IN HUNGARY WERE RELATED TO ITALY, JUST AS ITALIAN AND U.S. FORCES IN NORTHERN ITALY WERE RELATED TO HUNGARY.

5. HUNGARIAN ECONOMIC POLICY. MEETING WITH PARLIAMENT BUDGET CHAIRMAN (AND LEADING ECONOMIST) BOGNAR GAVE OPPORTUNITY TO DISCUSS CURRENT HUNGARIAN ECONOMIC POLICY. BOGNAR SAID HUNGARY WAS CURRENTLY IN A DIFFICULT ECONOMIC POSITION BECAUSE OF ITS INTRICATE INVOLVEMENT IN INTERNATIONAL TRADE AND DETERIORATION OF TERMS OF THAT TRADE. THEY THEREFORE HAD TO TAKE TEMPORARY MEASURES TO DEAL WITH AN EMERGENCY SITUATION. NEVERTHELESS HE (AND HE SAID THIS WAS PREDOMINANT FEELING AMONG HUNGARIAN ECONOMISTS) WAS CONVINCED HUNGARY MUST RETAIN THE DECENTRALIZED SYSTEM OF ECONOMY THAT HAD BEEN SO SUCCESSFUL FOR IT SINCE 1968. UNDER NO CIRCUMSTANCES SHOULD IT REVERT TO PREVIOUS SITUATION. HE SAID THAT AS SOON AS THEY COULD STABILIZE ECONOMIC PICTURE THEY WOULD AGAIN CUT BACK ON THE INCREASED GOVERNMENTAL SUPERVISION THAT WAS CURRENTLY NECESSARY.

6. CROWN OF ST. STEPHEN. ISSUE OF CROWN OF ST. STEPHEN CAME UP OFFICIALLY ONLY, BUT WITH EMPHASIS, IN OPENING MEETING WITH DEPUTY FONMIN NAGY, DURING WHICH HE SAID WE COULD NOT SPEAK OF ENTIRE NORMALIZATION OF RELATIONS BETWEEN HUNGARY AND U.S. UNTIL CROWN JEWELS WERE RETURNED. IN PRIVATE CONVERSATIONS HE ALSO EMPHASIZED ISSUE, SPECIFICALLY SUGGESTING THAT U.S. MIGHT FIND ITS 200TH ANNIV AN IDEAL OPPORTUNITY TO SEND CROWN BACK.

7. HUNGARIAN PARLIAMENT. CONGRESSMEN ASKED NUMBER OF QUESTIONS ABOUT ORGANIZATION AND FUNCTIONS OF PARLIAMENT.

CENTRAL COMMITTEE MEMBER SARLOS SAID THAT ABOUT 40 PERCENT OF PARLIAMENT MEMBERS WERE NON-PARTY, FIGURE CONFIRMED SUBSEQUENTLY BY ANOTHER MEMBER, AND A HIGHER PERCENTAGE THAN WE HAD THOUGHT. DEPUTY PM HUSZAR SAID THAT IN LAST ELECTION ABOUT TWO DOZEN OF PARLIAMENT'S 360 OR SO SEATS HAD BEEN CONTESTED. NON-PARTY MEMBER OF PARLIAMENT WHO LAST TIME DEFEATED A PARTY CANDIDATE FOR ELECTION SAID HE THOUGHT THAT ABOUT 100 SEATS WOULD BE CONTESTED THIS YEAR.

8. COMMENT: WHILE MOST OF ABOVE POINTS WERE OF CONSIDERABLE CONFIDENTIAL

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INTEREST TO EMBASSY, WE WOULD REGARD THREE FACTORS AS MOST IMPORTANT. FIRST WAS UNUSUALLY FAVORABLE AND CONSTRUCTIVE ATTITUDE SHOWN BY FONMIN, WHO USUALLY TENDS TO BE ON THE RIGID AND SOMEWHAT DIFFICULT SIDE. HIS MOOD SEEMED TO REFLECT NOT JUST AN EFFORT TO BE AGREEABLE WITH CONGRESSMEN BUT A POLICY EMPHASIS OF MUCH THE SAME SORT THAT WAS VISIBLE HERE IN PONOMAREV AND KADAR SPEECHES AT PREPARATORY PARTY MEETING. SECOND WAS HUSZAR'S REMARK ABOUT RESULTS OF BIRO VISIT TO U.S., BECAUSE SUCH REMARK AT DEPUTY PM LEVEL INDICATES THAT TRIP WHICH WAS INTENDED TO MOVE THINGS FORWARD IN ECONOMIC SPHERE HAS LEFT SUBSTANTIAL SENSE OF DISAPPOINTMENT HERE. WE ARE THINKING OF FOLLOWING THIS UP WITH HUSZAR TO SEE IF THERE IS ANYTHING WE CAN DO ABOUT IT. THIRD WAS GOH DESIRE TO SEE U.S. "PROPOSALS" UNDER TRADE ACT. THE CONSIDERABLE EMPHASIS IN TALKS AND IN INFORMAL CONVERSATIONS ON THE DIFFICULTIES PROVISIONS OF ACT WOULD CAUSE WAS TEMPERED BY COMMENT THAT THEY HAD NOT YET HAD CHANCE TO STUDY FINAL TEXT OF BILL AND THAT THEY WOULD HAVE TO SEE WHAT WAS ACTUALLY PROPOSED BEFORE THEY COULD FORMULATE GOVERNMENT POSITION. THIS, UNFORTUNATELY, MAY NOW GO BY BOARD BECAUSE OF SUBSEQUENT SOV REACTION. PEDERSEN

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